

SSA's Mission

On August 14, 1935, the Social Security Act became law with President Roosevelt's signature. Throughout its 61-year history, SSA has held fast to its basic mission to pay the right amount to the right person at the right time. SSA's current Agency Strategic Plan, which was published in 1991, framed that mission this way:

To administer national Social Security programs as prescribed by legislation, in an equitable, effective, efficient and caring manner.

The Social Security Programs

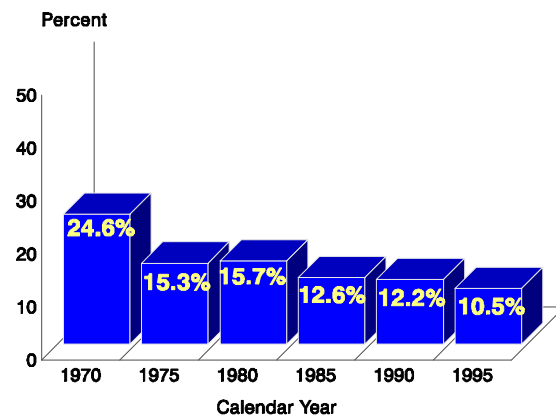
Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI)

The OASI and DI programs, commonly referred to as Social Security, provide a comprehensive package of protection against the loss of earnings due to retirement, disability and death. Monthly cash benefits are financed through payroll taxes paid by workers and their employers and by self-employed people. Social Security is intended to replace a portion of these lost earnings, but people are encouraged to supplement Social Security with savings, pensions, investments and other insurance.

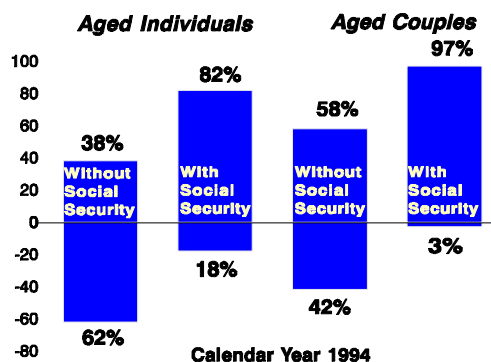
Social Security benefits have significantly improved the economic well being of the nation, reducing poverty among the elderly by 57 percent over the past 26 years. In 1936, when SSNs were first assigned to workers, most of the nation's elderly were living in poverty.

The monthly benefit amount to which an individual (or spouse and children) may become entitled under the OASDI program is based on the individual's taxable earnings during his or her lifetime. The maximum amount of earnings on which contributions were payable in 1995 was \$61,200 and increased to \$62,700 in 1996.

Poverty Rate Among Elderly



Aged Beneficiary Population with Family Income Above and Below the Poverty Line



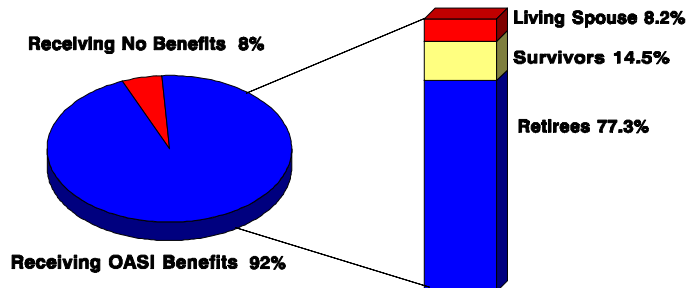
In 1994, the family income of 18 percent of aged, unmarried beneficiaries fell below the poverty line. Without Social Security benefits, 62 percent of those beneficiaries would have fallen below the poverty line--a difference of 44 percent due to receipt of Social Security.

For aged couples, Social Security had a similar effect in lifting couples out of poverty. In 1994, three percent of aged beneficiaries who were members of a married couple had income below the poverty line. Without Social Security benefits, 42 percent of these beneficiaries would have fallen below the poverty line--a difference of 39 percent. (Data for updating this chart are only available to us on a biennial basis.)

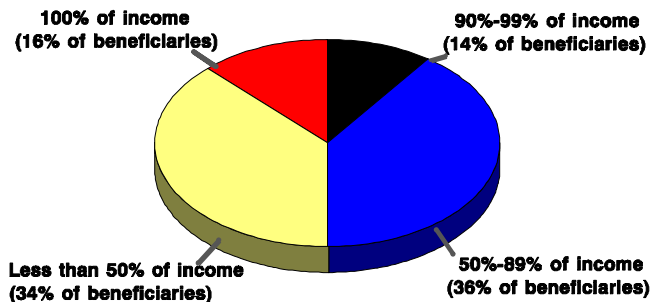
To qualify for OASI benefits, workers must have paid Social Security taxes (FICA and/or SECA) for at least 10 years (or 40 quarters) over the course of his/her lifetime. Individuals born before 1929 need fewer quarters to qualify. Nine in ten working Americans can count on receiving benefits when they retire with 88 percent of their earnings covered by OASI at age 65 or reduced benefits as early as age 62. OASI benefits are also paid to certain members of retired workers' families. About 98 percent of children under 18 and spouses with children in their care under 16 can count on survivors benefits if the working parent dies. Ninety-five percent of people age 65 or over in calendar year 1995 were receiving benefits or will when their spouses retire. The largest category of beneficiaries over age 65 is retired workers.

Population 65 or Over Receiving OASI Benefits

(1996)



Portion of Beneficiaries That Rely Heavily on Social Security (Calendar Year 1994)

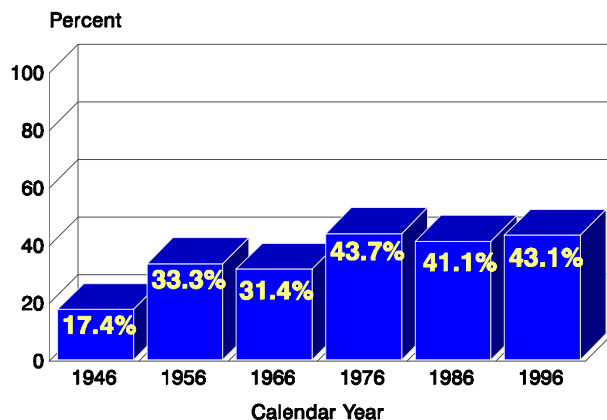


Social Security benefits comprised 42 percent of the aggregate share of all income to the aged population 65 and over of which 91 percent were Social Security beneficiaries. Other sources of income include assets (18 percent), earnings (18 percent), and pensions (19 percent) both Government and private.

While many of the nation's aged population have income from other sources, a portion of the beneficiary population relies heavily on Social Security. For 16 percent of beneficiaries, it is the only income; for 30 percent of the population, it contributes almost all of the income; and for 66 percent of the beneficiary units, it is the major income source. (Data for updating this chart are only available to us on a biennial basis.)

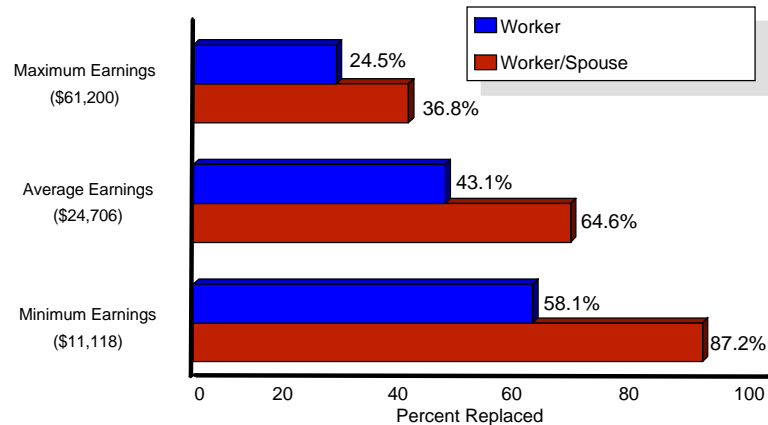
Average Retiree's Earnings Replaced (Historical Perspective)

The level of pre-retirement earnings replaced by Social Security benefits for a worker retiring at age 65 varies because the benefit formula is weighted to give more credit to workers with low levels of earnings. The chart at the top of the next page shows the replacement rate for individuals and couples at various earnings levels (calendar year 1996). The chart on the right shows the average retiree's earnings replaced for selected calendar years.



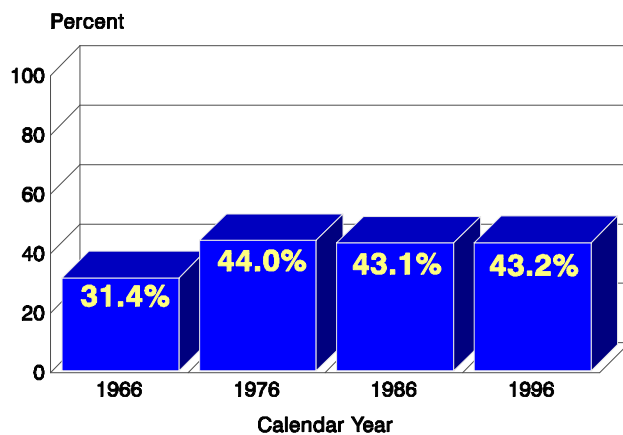
Pre-Retirement Earnings Replaced

(Workers Age 65 Entitled in January 1996)



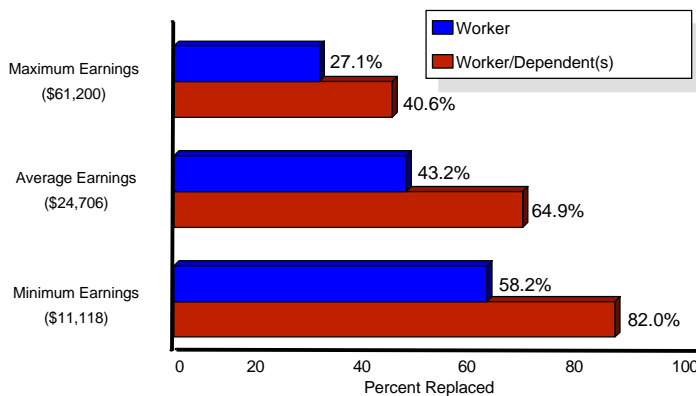
Disabled Worker's Earnings Replaced Historical Perspective

To qualify for DI benefits, an individual must meet a test of substantial recent covered work. The number of quarters needed for disability benefits depends on the age when an individual becomes disabled. The chart below shows the replacement rate for workers and their dependents at various earnings levels (calendar year 1996). The chart on the right shows the replacement rate for an average worker disabled at age 45 during selected years.



Disabled Worker's Earnings Replaced

(Workers Age 45 Entitled in Calendar Year 1996)



Disability benefits provide a continuing income base for eligible workers who have qualifying disabilities and for eligible members of their families. Three of four working Americans age 21 through 64 can count on receiving benefits if they become disabled. Workers are considered disabled if they have severe physical or mental conditions that prevent them from engaging in substantial gainful activity. The condition must be expected to last for a continuous period of at least 12 months or to result in death. Once benefits begin, they continue for as long as the worker is disabled and does not perform substantial gainful work. There are provisions that provide incentives for work. Disability cases are reviewed periodically to determine if the worker continues to be disabled.

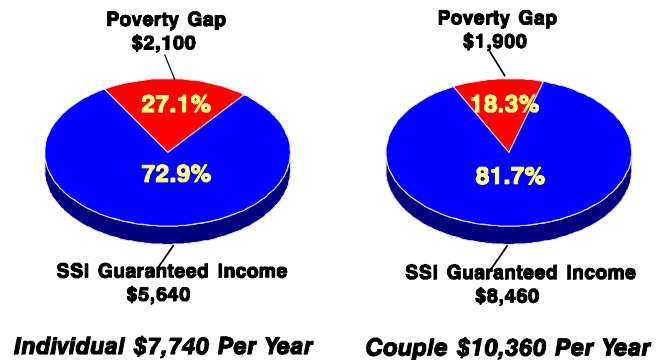
Supplemental Security Income (SSI)

SSI is a means-tested program designed to provide or supplement the income of aged, blind or disabled individuals with limited income and resources. SSI payments and related administrative expenses are financed from general tax revenues, not the Social Security trust funds. Qualified recipients receive monthly cash payments from SSA sufficient to raise their income to the level guaranteed by the Federal SSI Program as shown in the chart below. Children, as well as adults, can receive payments because of disability or blindness.

The portion of the poverty gap not filled by SSI may be supplemented by donations from private charities such as food banks or soup kitchens. SSI recipients also may be eligible for food stamps, Medicaid and social services.

The definitions of disability and blindness used in the SSI program, as well as continuing disability review procedures, are the same as those used in the DI program. There are provisions to provide incentives for work including special incentives to those beneficiaries who have disabilities or are blind. The Federal benefit rate and eligibility requirements are uniform nationwide.

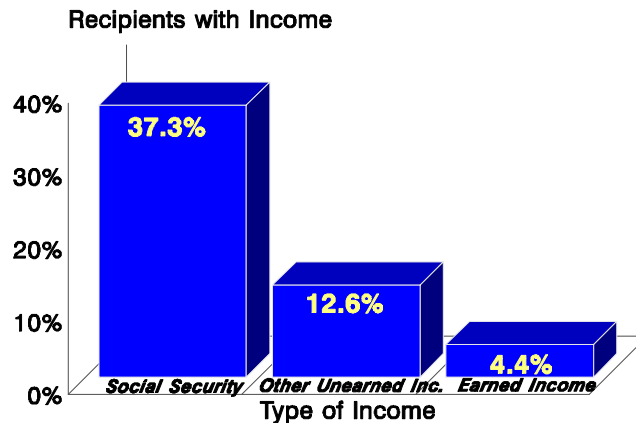
March 1996 Poverty Income Guidelines Poverty Gap Not Filled by SSI Federal Benefit



Forty-eight States and the District of Columbia supplement the Federal benefit. SSA agreed to administer some or all of the supplemental benefits for 27 States and the District of Columbia through FY 1995; however, in FY 1996, this changed to 25 States and the District of Columbia. Through FY 1993, the States fully reimbursed SSA for supplemental benefits paid on their behalf, but the Federal Government absorbed the administrative costs. Beginning in FY 1994, SSA was required to charge States a fee for the Federal cost of administering State supplemental SSI payments. The fee was \$1.67 for each monthly supplementary payment for FY 1994; \$3.33 for each monthly supplementary payment for FY 1995; and the fee for FY 1996 and FY 1997 is \$5.00. Fees for subsequent years will be determined as appropriate by the Commissioner.

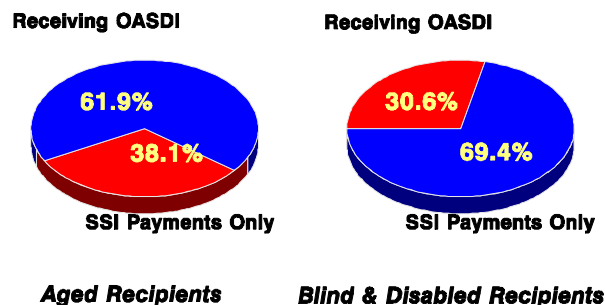
Percent of SSI Recipients With Income from Other Sources (September 1996)

SSI recipients with no other income receive the full SSI Federal benefit which is 73 percent of the poverty level for an individual and 82 percent for a couple. Those with other income receive less since the SSI Federal benefit may be reduced by the income they receive from other sources. In September 1996, 37.3 percent of all SSI recipients also received Social Security benefits. Most did not have any other income. For 4.4 percent of the recipients, earnings were a source of additional income, and 12.6 percent had unearned income from other sources, such as Veterans' pensions.



SSI Recipients Also Receiving OASDI Benefits (September 1996)

OASDI beneficiaries may qualify for SSI benefits if they meet SSI income and resource eligibility requirements. Although 37.3 percent of all SSI recipients receive OASDI benefits, SSI aged recipients are more likely (61.9 percent) to be receiving Social Security benefits than SSI blind and disabled recipients (30.6 percent).



Black Lung (BL)

The BL program pays monthly cash benefits to coal mine workers and their dependents and survivors. SSA is responsible for administering Part B of the BL program under title IV of the Federal Coal Mine Health and Safety Act. Part B covers claims filed by miners before July 1973 and survivor claims filed before January 1974 or within 6 months of the death of a miner or widow on the SSA rolls, whichever is later. Any claims filed after these dates generally are the responsibility of the Department of Labor (DOL) covered under Part C of the program. SSA is also responsible for taking claims for, and performing certain other services related to Part C benefits. In FY 1996, SSA field offices took 902 claims for Part C benefits and transferred them to DOL for payment, as required by law. SSA received full reimbursement from DOL for these services.

Support to Other Programs

In addition to its basic programs, SSA also provides a significant measure of service delivery support to other programs, particularly Medicare, Medicaid, Food Stamps and Railroad Retirement.

Medicare - - Being the primary public-contact point for the Health Care Financing Administration (HCFA), SSA provides key services to the Medicare program. SSA staff determine and answer questions regarding Medicare eligibility, maintain the computerized records of Medicare eligibility, and collect Medicare premiums through withholdings from Social Security payments. Annually, SSA devotes nearly 1,600 workyears to supporting these workloads and is reimbursed by the Medicare trust funds for these services.

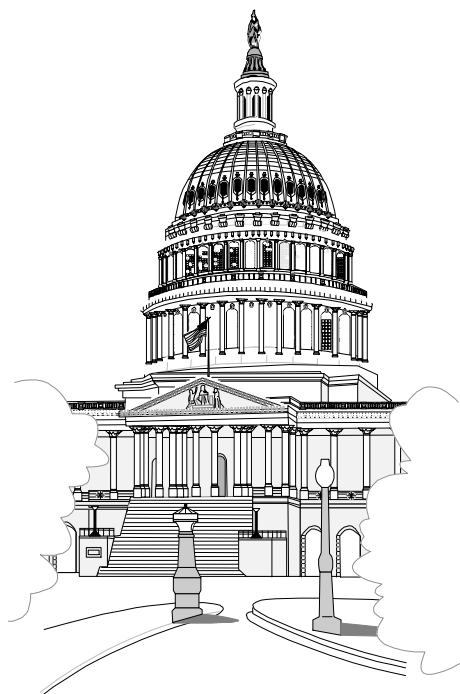
Medicaid - - In 31 States and the District of Columbia, eligibility for SSI benefits confers automatic entitlement to Medicaid. Thus, the SSI eligibility determination made by SSA saves a significant amount of workyears for these States. SSA also provides information and referral services in support of Medicaid and is reimbursed by the States and HCFA.

Railroad Retirement - - SSA provides services in connection with entitlement to benefits from the Railroad Retirement Board (RRB). SSA takes the applications, determines jurisdiction and coordinates benefit payments with the RRB. The latter organization, as required by statute, issues a combined monthly benefit payment when a retiree is entitled to both Railroad and Social Security retirement benefits due to having worked for both the railroad and other industries prior to retirement. SSA reimburses the RRB for OASI benefits paid on SSA's behalf. In addition, SSA arranges an annual financial interchange with the Railroad Retirement Trust Fund to place the Social Security trust funds in the same position they would have been in had railroad employment been covered by Social Security.

Food Stamps - - SSA assists the Department of Agriculture by providing information about the food stamp program and taking food stamp applications for qualified OASI, DI and SSI claimants. In FY 1996, SSA processed 19,354 food stamp applications and recertifications.

State and Local Programs - - SSA regularly provides information from Social Security records needed to make eligibility and payment decisions for a variety of State and local welfare programs, and provides automated data exchanges with over 100 State and Federal agencies.

Legislative Provisions Impacting on SSA Programs



On March 29, 1996, the President signed P.L. 104-121. The law contains two major provisions affecting the DI and SSI programs. These are:

- The prohibition of DI or SSI benefits for individuals whose drug addiction and/or alcoholism (DA&A) contributes materially to their disability. Also, SSA must notify current DA&A beneficiaries that these benefits will terminate on January 1, 1997.
- The authorization of additional funds to SSA for FYs 1996 - 2002 to conduct continuing disability reviews and disability eligibility redeterminations. These funds must be spent, to the greatest extent practicable, to maximize the combined savings to the OASDI, SSI, Medicare and Medicaid programs.

On August 22, 1996, the President signed P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. The law contains the following welfare reform provisions which impact the SSI program:

- Children must meet more stringent medical criteria to qualify for SSI payments;
- Children under 18 already on the SSI rolls shall have a continuing disability review conducted every 3 years. Informational notices were sent to the representative payees of approximately 300,000 children in the first quarter of FY 1997;
- Low birth weight babies on the SSI rolls shall have a continuing disability review conducted before attaining 12 months in age. Informational notices were sent to the representative payees of approximately 300,000 children in the first quarter of FY 1997; and
- The prohibition of SSI payments to many noncitizens. Informational notices will be sent to approximately 1.1 million noncitizens in the second quarter of FY 1997.

The majority of these provisions were effective upon enactment and require SSA decisional activity to be completed within one year of enactment. The overlapping dates have the effect of compacting workloads. The workloads are not distributed evenly across States or even among offices within a State. The offices with the highest percentage of these workloads have already been identified and SSA will target resources to these offices.